

MAXIS BERHAD (“MAXIS”)

PROPOSED ESTABLISHMENT OF A LONG TERM INCENTIVE PLAN FOR THE ELIGIBLE EMPLOYEES OF MAXIS AND ITS SUBSIDIARIES (“PROPOSED LTIP”)

1. INTRODUCTION

On behalf of the Board of Directors of Maxis (“**Board**”), CIMB Investment Bank Berhad (“**CIMB**”) wishes to announce that Maxis proposes to establish and implement a long term incentive plan for the employees of Maxis and its subsidiaries (excluding subsidiaries which are dormant) (“**Group**”) who fulfil the eligibility criteria set out in section 2.2.3 below (“**Eligible Employees**”).

2. THE PROPOSED LTIP

The Proposed LTIP is intended to allow Maxis to award the grant of new ordinary shares of RM0.10 each in Maxis (“**Maxis Share(s)**”) (“**Grant(s)**”) to be vested to selected Eligible Employees (“**Selected Employees**”) for the attainment of identified performance objectives of the Group.

The Proposed LTIP will be implemented and administered by a committee to be established (“**LTIP Committee**”), comprising, among others, directors and senior management of the Group appointed by the Board.

2.1 Details of the Proposed LTIP

The Proposed LTIP comprises a performance share (“**PS**”) Grant and restricted share (“**RS**”) Grant. The main difference in the features of the PS Grant and RS Grant is the eligibility of the Selected Employees in terms of their job level in the Group and the performance targets and/or performance conditions to be met prior to the offer being made in writing to the Selected Employees (“**Offer**”) and vesting of the Grant to the Selected Employees. The Proposed LTIP serves to attract, retain, motivate and reward valuable Eligible Employees.

The details of the Grant are as follows:

(i) PS Grant

The PS Grant is a performance share grant for senior executives and key employees of the Group selected on a basis designated by the LTIP Committee. The PS Grant will be awarded annually to the Selected Employees to be vested at the end of a certain number of years and after fulfillment of certain performance targets and/or conditions, as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the Proposed LTIP, at the time of Grant and vesting, which may include the long-term financial performance targets/ratios of the Group as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the Proposed LTIP. At the point of vesting, the final award of the PS Grant is based on a multiple of the initial Grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the Selected Employees, the Grant will not be vested to them at the end of the performance period.

The objective of the PS Grant is to promote alignment in the strategic achievements of the Group and to drive the right behavior for the senior executives and key employees of the Group.

(ii) **RS Grant**

The RS Grant is a restricted share grant for all Eligible Employees selected on a basis designated by the LTIP Committee. The RS Grant will be awarded on a need basis to the Selected Employees to be vested over a certain number of years on a yearly pro-rata basis and after fulfillment of individual performance targets based on the Group's performance management system (such as individual performance rating) and/or certain performance conditions (such as financial targets) as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the Proposed LTIP.

The objective of the RS Grant is to attract and retain employees for the development, growth and success of the Group.

The new Maxis Shares to be allotted and issued upon the vesting of the Maxis Shares pursuant to the PS Grant and RS Grant may be subject to such retention period and/or such restrictions on transfer, as may be determined by the LTIP Committee at its absolute discretion, unless otherwise stipulated in the Offer.

In implementing the Proposed LTIP, the Grant will be satisfied by way of allotment and issuance of new Maxis Shares to the Selected Employees who accepted the PS Grant and RS Grant's Offers ("**Grantees**") upon vesting of the Grant.

The LTIP Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the Offer, such as the eligibility criteria and allocation for each Grant, the timing and frequency of the award of the Grant, the performance targets and/or performance conditions to be met prior to the Offer and vesting of the Grant and the vesting period.

2.2 Other salient terms and conditions of the Proposed LTIP

The other salient terms and conditions of the Proposed LTIP include (but not limited to) the following:

2.2.1 Maximum number of new Maxis Shares available under the Proposed LTIP

The maximum number of new Maxis Shares which may be made available under the Proposed LTIP and/or allotted and issued upon vesting of the new Maxis Shares under the Proposed LTIP shall not, when aggregated with the total number of new Maxis Shares allotted and issued and/or to be allotted and issued under the Existing Scheme (as defined in Section 2.3), exceed 250,000,000 Maxis Shares at any point in time during the duration of the Proposed LTIP ("**Maximum Shares**").

2.2.2 Basis of allocation and maximum allowable allotment

The total number of new Maxis Shares that may be offered to any one of the Selected Employees and/or to be vested in any one of the Grantees under the Proposed LTIP at any time shall be at the discretion of the LTIP Committee (subject always to the by-laws governing the Proposed LTIP ("**By-Laws**") and any applicable law).

Notwithstanding the foregoing, at any point of time during the existence of the Proposed LTIP, not more than 10% of the new Maxis Shares, made available under the Proposed LTIP and Existing Scheme (as defined in Section 2.3), individually and collectively, shall be allocated to any individual Selected Employee who, either singly or collectively through persons connected with the said Selected Employee (as defined under the relevant applicable law), holds 20% or more of the issued and paid-up ordinary share capital of Maxis (excluding treasury shares).

The LTIP Committee may, during the duration of the Proposed LTIP, make one or more Offers to any Selected Employee, whom the LTIP Committee may at its discretion select. Subject to the above limits, each Offer made to any Selected Employee by the LTIP Committee shall be separate and independent from any previous or later Offer made by the LTIP Committee to that Selected Employee.

2.2.3 Eligibility

Employees of the Group (including Executive Directors of Maxis) who meet the following criteria as at the date of Offer shall be eligible to be considered as an Eligible Employee to participate in the Proposed LTIP:

- (i) has attained the age of eighteen years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (ii) is employed on a full-time basis and is on the payroll of any company within the Group and, has not served a notice of resignation or received a notice of termination;
- (iii) is serving in a specific designation under an employment contract, whether on a permanent contract or for a fixed duration (but excluding those who are employed for a specific project or any other contract as may be determined by the LTIP Committee); and
- (iv) fulfills any other eligibility criteria and/or falls within such category as may be determined by the LTIP Committee in its discretion from time to time.

Subject to applicable law, the LTIP Committee may vary or revise any of the eligibility criteria set forth in Section 2.2.3 at any time and from time to time.

2.2.4 Duration of the Proposed LTIP

The Proposed LTIP shall be in force for a period of 10 years commencing from the effective date of implementation of the Proposed LTIP, being the date of full compliance with all relevant provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") in relation to the Proposed LTIP, more particularly set out in the By-Laws.

2.2.5 Ranking of the new Maxis Shares

The new Maxis Shares to be allotted and issued pursuant to the Proposed LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued Maxis Shares.

The new Maxis Shares to be allotted and issued pursuant to the vesting of the Grant under the Proposed LTIP shall not be entitled to any dividends, rights, allotments, entitlements and/or any other distributions, for which the entitlement date is prior to the date on which the new Maxis Shares are credited into the central depository system accounts of the respective Grantees upon vesting of the Grant under the Proposed LTIP.

2.3 Existing Scheme

Maxis had, on 17 September 2009, established an employee share option scheme involving the grant of options to the eligible employees of Maxis and its subsidiaries and Directors (executive and non-executive) to subscribe for new Maxis Shares (“**Options**”) (“**Existing Scheme**”). The Existing Scheme is valid for a period of 10 years and shall expire on 16 September 2019. The total number of Maxis Shares which may be issued under Options granted pursuant to the Existing Scheme shall not exceed in aggregate 250,000,000 Maxis Shares during the existence of the Existing Scheme (“**Options Limit**”).

Since the commencement of the Existing Scheme up to 31 December 2014, 45,594,200 Options over Maxis Shares had been offered to and accepted pursuant to the Existing Scheme, of which 6,580,900 Options had been exercised and 5,154,100 Options had lapsed/forfeited. Pursuant to the by-laws of the Existing Scheme, the total number of Maxis Shares which may be issued under Options granted under the Existing Scheme to the Directors and members of senior management of Maxis and its subsidiaries shall not exceed in aggregate 50% of the total number of Maxis Shares to be issued under the Existing Scheme. As at 31 December 2014, the total Options offered to the Directors and members of senior management of Maxis and its subsidiaries amounted to approximately 15.5% of the Options Limit under the Existing Scheme.

The Directors and Chief Executive Officer of Maxis have not, since the implementation of the Existing Scheme, been offered further Options.

3. UTILISATION OF PROCEEDS

No proceeds will be raised from the Proposed LTIP given that the new Maxis Shares to be allotted and issued to the Selected Employees would not require any cash payment by the said Selected Employees.

4. RATIONALE FOR THE PROPOSED LTIP

The Company intends to cease awarding Options under the Existing Scheme for the year beginning 2016. The Proposed LTIP is intended to serve as a long term incentive plan that aligns the Eligible Employees’ interests with the long term objectives and business strategy of the Group. The Proposed LTIP will form part of the total remuneration structure as an integral part of the Group’s total reward strategy in providing the right remuneration and benefits. It is to complement the existing remuneration structure of the Group which, among others, includes a basic salary, a variable cash bonus and the Existing Scheme. It is intended that both the Existing Scheme and the Proposed LTIP will be implemented concurrently.

In addition, the Proposed LTIP is intended to:

- (i) reward and retain the Eligible Employees whose contributions are vital to the businesses, continued growth and profitability of the Group;
- (ii) motivate each Eligible Employee to optimise his/her performance standards and maintain high level contributions through greater levels of commitment and ownership to the Group;
- (iii) drive the right behaviour of the Eligible Employees through the Proposed LTIP to focus on long term financial performance and Maxis’s shareholders’ value enhancement via equity participation; and
- (iv) attract skilled and experienced individuals to join the Group and create value to the shareholders of Maxis.

5. EFFECTS OF THE PROPOSED LTIP

5.1 Issued and paid-up ordinary share capital

The Proposed LTIP is not expected to have any immediate effect on the existing issued and paid-up ordinary share capital of Maxis. However, the issued and paid-up ordinary share capital of Maxis will increase progressively as and when the new Maxis Shares are allotted and issued pursuant to the vesting of the Grant under the Proposed LTIP.

Strictly for illustrative purposes, assuming that the Proposed LTIP is implemented on 31 December 2014, and assuming that the Maximum Shares are made available under the Proposed LTIP and are fully granted and vested and that there is no other increase in the issued and paid-up capital of Maxis during the Proposed LTIP period, the proforma effects of the Proposed LTIP on the issued and paid-up ordinary share capital of Maxis are set out in the table below:

	No. of Maxis Shares	RM
	000	000
Issued and paid-up ordinary share capital as at 31 December 2014	7,506,581	750,658
Assumed number of new Maxis Shares to be issued pursuant to the Proposed LTIP ⁽¹⁾⁽²⁾	243,419	24,342
Enlarged issued and paid-up ordinary share capital	<u>7,750,000</u>	<u>775,000</u>

Notes:

- (1) *Assumed no further Options are granted under the Existing Scheme and none of the Options under the Existing Scheme which have been granted but remain valid and exercisable as at 31 December 2014 are exercised into new Maxis Shares.*
- (2) *As at 31 December 2014, 6,580,900 Options had been exercised under the Existing Scheme.*

5.2 Substantial shareholders

The Proposed LTIP is not expected to have any immediate effect on the shareholdings of substantial shareholders of Maxis until such time as and when the new Maxis Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the shareholdings of substantial shareholders of Maxis in the future would depend upon the number of new Maxis Shares allotted and issued at the relevant point in time.

Strictly for illustrative purposes, assuming that the Proposed LTIP is implemented on 31 December 2014, and assuming that the Maximum Shares are made available under the Proposed LTIP and are fully granted and vested, the proforma effect of the Proposed LTIP on the shareholdings of substantial shareholders of Maxis are set out in the table below:

	As at 31 December 2014				After the Proposed LTIP [#]			
	Direct		Indirect		Direct		Indirect	
	No. of Maxis Shares	%	No. of Maxis Shares	%	No. of Maxis Shares	%	No. of Maxis Shares	%
	000	%	000	%	000	%	000	%
BGSM Equity Holdings Sdn Bhd (" BGSM Equity ")	4,875,000	64.94	–	–	4,875,000	62.90	–	–
BGSM Management Sdn Bhd (" BGSM Management ") ⁽¹⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Maxis Communications Berhad (" MCB ") ⁽²⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Binariang GSM Sdn Bhd (" BGSM ") ⁽³⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Usaha Tegas Equity Sdn Bhd (" UTE ") ⁽⁴⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Usaha Tegas Sdn Bhd (" Usaha Tegas ") ⁽⁵⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Pacific States Investment Limited (" PSIL ") ⁽⁶⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Excorp Holdings N.V. (" Excorp ") ⁽⁷⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
PanOcean Management Limited (" PanOcean ") ⁽⁷⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Ananda Krishnan Tatparanandam (" TAK ") ⁽⁸⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Harapan Nusantara Sdn Bhd (" Harapan Nusantara ") ⁽⁹⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Tun Haji Mohammed Hanif bin Omar ⁽¹⁰⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Dato' Haji Badri bin Haji Masri ⁽¹⁰⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90

Mohamad Shahrin bin Merican ⁽¹⁰⁾	11	*	4,875,000	64.94	11	*	4,875,000	62.90
STC Malaysia Holding Ltd (“STCM”) ⁽¹¹⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
STC Asia Telecom Holding Ltd (“STCAT”) ⁽¹²⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Saudi Telecom Company (“Saudi Telecom”) ⁽¹³⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
Public Investment Fund (“PIF”) ⁽¹⁴⁾	–	–	4,875,000	64.94	–	–	4,875,000	62.90
AmanahRaya Trustees Berhad (“ARB”) - Skim Amanah Saham Bumiputera	619,320	8.25	–	–	619,320	7.99	–	–
Employees Provident Fund Board (“EPF”)	461,084	6.14	23,709 ⁽¹⁵⁾	0.32	461,084	5.95	23,709 ⁽¹⁵⁾	0.31

Notes:

- * *Negligible*
- # *Assumed no further Options are granted under the Existing Scheme and none of the Options under the Existing Scheme which have been granted but remain valid and exercisable as at 31 December 2014 are exercised into new Maxis Shares.*
- (1) *BGSM Management’s deemed interest in the Maxis Shares arises by virtue of BGSM Management holding 100% equity interest in BGSM Equity.*
- (2) *MCB’s deemed interest in the Maxis Shares arises by virtue of MCB holding 100% equity interest in BGSM Management.*
- (3) *BGSM’s deemed interest in the Maxis Shares arises by virtue of BGSM holding 100% equity interest in MCB.*
- (4) *UTE’s deemed interest in the Maxis Shares arises through its wholly-owned subsidiaries, namely, Wilayah Resources Sdn Bhd, Tegas Puri Sdn Bhd, Besitang Barat Sdn Bhd and Besitang Selatan Sdn Bhd (collectively, “UT Subsidiaries”) which hold in aggregate 37% equity interest in BGSM. See Note (3) above for BGSM’s deemed interest in the Maxis Shares.*
- (5) *Usaha Tegas’ deemed interest in the Maxis Shares arises by virtue of Usaha Tegas holding 100% equity interest in UTE. See Note (4) above for UTE’s deemed interest in the Maxis Shares.*
- (6) *PSIL’s deemed interest in the Maxis Shares arises by virtue of PSIL holding 99.999% equity interest in Usaha Tegas. See Note (5) above for Usaha Tegas’ deemed interest in the Maxis Shares.*
- (7) *PanOcean holds 100% equity interest in Excorp which in turn holds 100% equity interest in PSIL. See Note (6) above for PSIL’s deemed interest in the Maxis Shares. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in such Maxis Shares, it does not have any economic or beneficial interest in such Maxis Shares, as such interest is held subject to the terms of such discretionary trust.*
- (8) *TAK’s deemed interest in the Maxis Shares arises by virtue of PanOcean’s deemed interest in the Maxis Shares. See Note (7) above for PanOcean’s deemed interest in the Maxis Shares. Although TAK is deemed to have an interest in such Maxis Shares, he does not have any economic or beneficial interest in such Maxis Shares, as such interest is held subject to the terms of a discretionary trust referred to in Note (7) above.*
- (9) *Harapan Nusantara’s deemed interest in the Maxis Shares arises through its wholly-owned subsidiaries, namely, Mujur Anggun Sdn Bhd, Cabaran Mujur Sdn Bhd, Anak Samudra Sdn Bhd, Dumai Maju Sdn Bhd, Nusantara Makmur Sdn Bhd, Usaha Kenanga Sdn Bhd and Tegas Sari Sdn Bhd (collectively,*

“Harapan Nusantara Subsidiaries”), which hold in aggregate 30% equity interest in BGSM. See Note (3) above for BGSM’s deemed interest in the Maxis Shares.

The Harapan Nusantara Subsidiaries hold their deemed interest in such Maxis Shares under discretionary trusts for Bumiputera objects. As such, Harapan Nusantara does not have any economic interest in such Maxis Shares as such interest is held subject to the terms of such discretionary trusts.

- (10) *His deemed interest in the Maxis Shares arises by virtue of his 25% direct equity interest in Harapan Nusantara. However, he does not have any economic interest in such Maxis Shares as such interest is held subject to the terms of the discretionary trusts referred to in Note (9) above.*
- (11) *STCM’s deemed interest in the Maxis Shares arises by virtue of STCM holding 25% equity interest in BGSM. See Note (3) above for BGSM’s deemed interest in the Maxis Shares.*
- (12) *STCAT’s deemed interest in the Maxis Shares arises by virtue of STCAT holding 100% equity interest in STCM. See Note (11) above for STCM’s deemed interest in the Maxis Shares.*
- (13) *Saudi Telecom’s deemed interest in the Maxis Shares arises by virtue of Saudi Telecom holding 100% equity interest in STCAT. See Note (12) above for STCAT’s deemed interest in the Maxis Shares.*
- (14) *PIF’s deemed interest in the Maxis Shares arises by virtue of PIF holding 70% equity interest in Saudi Telecom. See Note (13) above for Saudi Telecom’s deemed interest in the Maxis Shares.*
- (15) *EPF is deemed to have an interest in 23,709,400 Maxis Shares held through nominees.*

5.3 NA and gearing

The Proposed LTIP is not expected to have any immediate effect on the consolidated NA per Maxis Share and gearing of the Group until such time as and when the new Maxis Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the consolidated NA per Maxis Share and gearing of the Group in the future would depend upon the number of new Maxis Shares allotted and issued at the relevant point in time.

Nonetheless, assuming the effects of the Proposed LTIP only and excluding the effects of the future earnings contribution to the Group, the consolidated NA per Maxis Share will decrease immediately following the vesting of the new Maxis Shares under the Proposed LTIP.

5.4 Earnings

Under the Malaysian Financial Reporting Standard 2 on Share-based Payment as issued by the Malaysian Accounting Standards Board (“**MFRS 2**”), the potential cost of awarding the Grant under the Proposed LTIP, after taking into account, among others, the number of new Maxis Shares vested and price of Maxis Shares, will need to be measured at fair value on the date of the Grant and recognised as an expense in the consolidated statement of income over the vesting period of such new Maxis Shares under the Grant.

The extent of the effect of the Proposed LTIP on the Group’s earnings and earnings per share (“**EPS**”) cannot be determined at this juncture as it would depend on various factors that affect the fair value of the new Maxis Shares as at the respective dates of the Grant. However, it is important to note that the potential cost of awarding the Grant under the Proposed LTIP does not represent a cash outflow and is only an accounting treatment.

The Proposed LTIP will also have an effect on the Group’s EPS due to the increase in the number of Maxis Shares resulting from the Grant and the allotment and issuance of new Maxis Shares pursuant to the Proposed LTIP.

The Board will take into consideration the potential impact of the relevant applicable accounting standards on the Group’s future earnings when considering allocation and granting of the Offer to the Eligible Employees.

The estimated expenses in relation to the Proposed LTIP (excluding the potential cost of awarding the Grant under MFRS 2) are approximately RM800,000, which will be funded through Maxis' internally-generated funds.

5.5 Convertible securities

As at 31 December 2014, save for the 33,859,200 outstanding options under the Existing Scheme, Maxis does not have any existing convertible securities.

The Proposed LTIP will not have any effect on the terms and conditions of the Existing Scheme.

6. APPROVALS REQUIRED

The Proposed LTIP is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for the new Maxis Shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities;
- (ii) shareholders of Maxis at an extraordinary general meeting (“EGM”) to be convened; and
- (iii) any other relevant authorities/parties, if required.

The Proposed LTIP is not conditional or inter-conditional upon any other corporate exercise/scheme by Maxis.

The application to Bursa Securities in relation to item (i) above is expected to be submitted within five (5) market days from the date of this announcement.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors, major shareholders of Maxis and/or persons connected with them has any interest, direct and/or indirect, in the Proposed LTIP.

In the event that Maxis desires to allocate any Grant under the Proposed LTIP to any executive director(s) of Maxis, during the duration of the Proposed LTIP, the said executive director(s) will abstain and will continue to abstain from deliberating on their entitlements, under the Proposed LTIP at the relevant Board meetings. Additionally, separate approval in respect of the Grant of the relevant entitlements will be sought from the shareholders at an EGM to be convened.

8. DIRECTORS' STATEMENT

After having considered all aspects of the Proposed LTIP, the Board is of the opinion that the Proposed LTIP is in the best interest of the Group.

9. ADVISER

CIMB has been appointed by Maxis as the Adviser in relation to Malaysian regulatory requirements for the Proposed LTIP.

10. ESTIMATED TIMEFRAME FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, Maxis expects to implement the Proposed LTIP by the second half of 2015.

This announcement is dated 13 March 2015.